FIVE YEAR REPORT TO WESTERN CANADIAN BUSINESS

1987-1992

Western Economic Diversification Canada

93-02269/

A New Look in Economic Development

Prime Minister Brian Mulroney announced the Western Diversification Initiative on August 4, 1987. A day later, Western Economic Diversification Canada (WD) opened its doors for the first time — to greet lineups of entrepreneurs wanting to know more about the Department's mandate.

WD was established to help the West lessen its dependence on primary resources by assisting the development of new and diversified industries.

From the outset, it was a department with a difference. Headquartered in Edmonton, it was the first and only department based in Western Canada. In order to effectively work with the business community, it was necessary to structure WD in a business-like fashion. Red tape had to be reduced to a minimum, and most of all, the Department had to respond to the needs of western Canadian business. To this day, the program remains market driven, with flexible guidelines and a policy of providing a hand — not a handout.

WD doesn't have application forms. Business people with a new idea are invited to call the office, or simply prepare a one or two page letter outlining the proposal, which is quickly reviewed by WD's staff of knowledgeable and experienced project officers. If it appears that the proposal meets the criteria and qualifies for assistance, the entrepreneur is asked to prepare a business plan and an officer is assigned to assist in every way possible to bring the project to fruition.

It was, and continues to be, an entirely different approach to government economic development, and one which has been welcomed in the business community.

Projects approved for funding have to meet the basic criteria of new products, new technology, new markets, import replacements, or have the capacity to enhance industry-wide competitiveness.

It was, and continues to be, an entirely different approach to government economic development, and one which has been welcomed in the business community.

Today, good business proposals are still being welcomed at WD's four regional offices in Winnipeg, Saskatoon, Edmonton and Vancouver — but now the Department has a proven track record of success, and its continued efforts to promote the diversification of the western Canadian economy are well-known... and applauded by business.

During the short time of its existence, WD has:

- **PROVIDED** assistance totalling more than one billion dollars to over 3,000 innovative projects;
- **ACTED** as an advocate for the West in the national decision-making process — ensuring, among other things, that western Canadian business has an equal opportunity to bid for government contracts;
- **HELPED** generate nearly 40,000 jobs, some in employment areas where few opportunities existed before; and
- **SUPPORTED** business and industry leaders in their efforts to become more competitive on world markets.

One of WD's major roles, providing financing to projects which will help diversify the western economy, was implemented with a policy of repayability — and that concept (pioneered by WD) has now become a national policy.

In fact, of WD's total committed funding, 85 per cent is repayable. And although 90 per cent of those dollars aren't yet due, repayments during the 1991-92 fiscal period were higher than forecast, and total collections have already passed $47 million.

WD shares the risk with the entrepreneur — and sometimes the risks are high. But overall, the success rate of western Canadian businesses which have launched new diversification activities has been gratifying.

In addition, sharing the risk means WD is the "last-in" with financing — and for every dollar approved by the Department, another $2.50 comes from the private sector and other funding sources.

WD's clients like the Department's non-bureaucratic approach and the flexible funding guidelines. That was apparent in a client satisfaction survey which showed that 91 per cent of those polled regarded WD's operation as "business-like".

New western Canadian products and technology are a significant target for WD assistance. But the Department is also playing a key role in helping western Canadian business to enter the world marketplace.

A part of WD's mandate is to encourage the development of international markets with a long-range view of adjusting the import-export ratio to a position more favourable to the West.

The Quality Assurance Assistance Program (QAAP) and the International Marketing Initiative (IMI) have both been implemented by WD with global markets in mind.

QAAP helps businesses meet internationally accepted quality standards with funding of up to 50 per cent of direct costs.

The IMI assists companies to take part in major international marketing events which are likely to generate export sales and strengthen Western Canada's position in the world marketplace.

As an advocate, WD's role starts at Cabinet level with its Minister, Charles Mayer. His roots are in rural Manitoba, and he ensures that the interests of the West are reflected in national policy decisions.

WD also has senior representatives on the committees which oversee the awarding of major government contracts — and those officials ensure that there is an equitable western Canadian content in those contracts.

As a result, the level of participation by western companies in federal procurement has increased; western business has benefited from many major Crown projects undertaken during WD's existence; and several companies have been helped to position themselves to win government contracts, not just here in Canada but also in the United States.

WD has compiled an impressive record of guiding, promoting and coordinating federal efforts with the provinces, business and labour in the West, and in formulating plans and integrated strategies to support development of the western Canadian economy.

Says Minister Mayer: "We're working with business, with entrepreneurs, to help them make their dreams become reality and at the same time strengthen and diversify the economy of the West. We're a small department, but I don't think there's any doubt at all that our achievements have been significant.

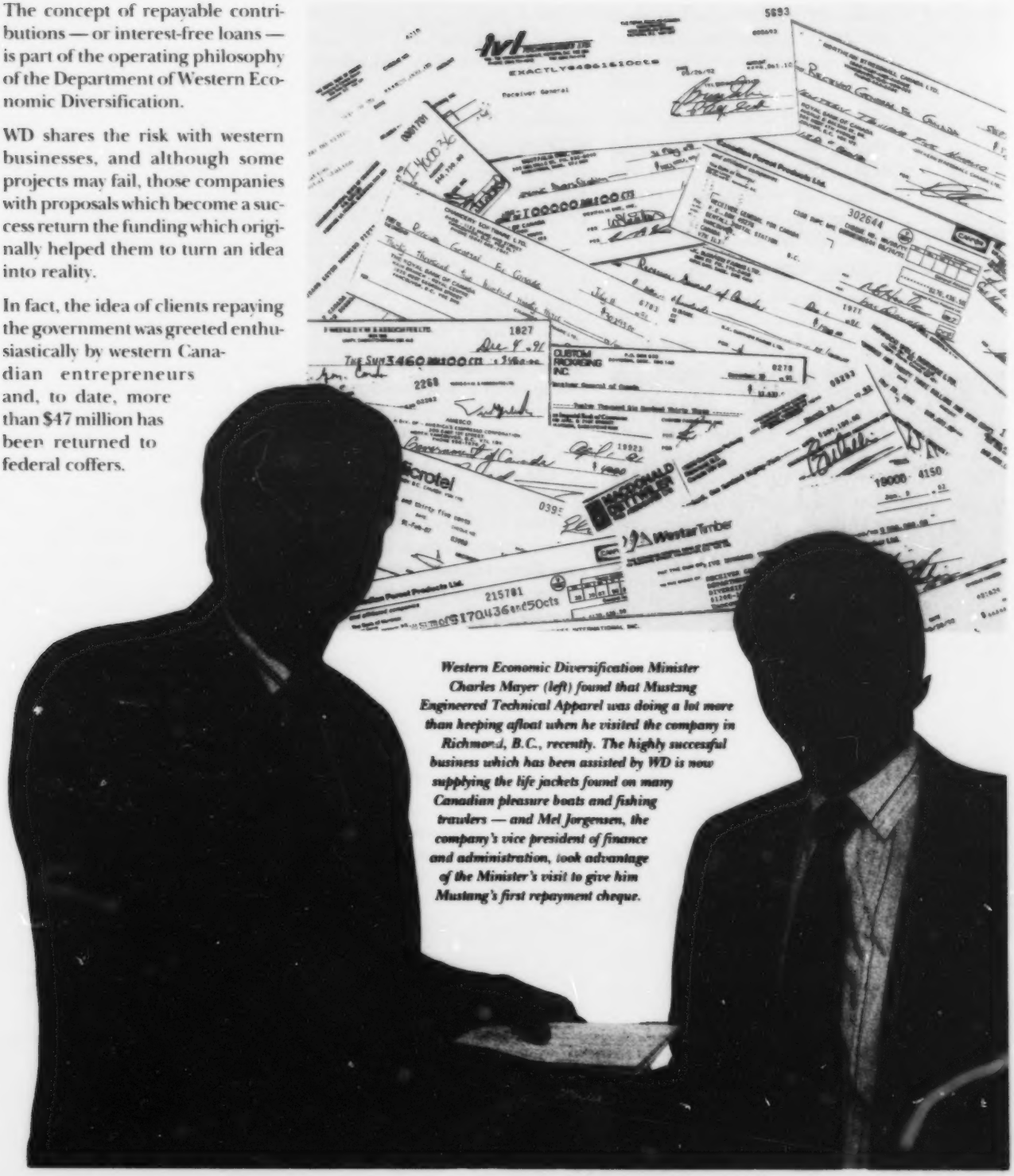
"We've now got five years of good solid success behind us... success on which we'll continue to build, in partnership with business, to ensure that Western Canada continues to grow and prosper."

WESTERN FIRMS REPAY LOANS

The concept of repayable contributions — or interest-free loans — is part of the operating philosophy of the Department of Western Economic Diversification.

WD shares the risk with western businesses, and although some projects may fail, those companies with proposals which become a success return the funding which originally helped them to turn an idea into reality.

In fact, the idea of clients repaying the government was greeted enthusiastically by western Canadian entrepreneurs and, to date, more than $47 million has been returned to federal coffers.



Western Economic Diversification Minister Charles Mayer (left) found that Mustang Engineered Technical Apparel was doing a lot more than keeping afloat when he visited the company in Richmond, B.C., recently. The highly successful business which has been assisted by WD is now supplying the life jackets found on many Canadian pleasure boats and fishing trawlers — and Mel Jorgensen, the company's vice president of finance and administration, took advantage of the Minister's visit to give him Mustang's first repayment cheque.

MEETING THE CHALLENGES

The western Canadian economy does not function in isolation. Domestic and international events have an impact on the West and on the nation as a whole.

Over the past five years, Western Canada has been influenced by a global economic slowdown. The U.S. is saddled with debt and growing budget deficits, hampering its growth, while Germany faces the massive costs of reunification. Even Japan has recently experienced a slump on its stock market comparable to the 1987 stock collapse on North American markets.

In the midst of this international downturn, the world is undergoing changes that are having a profound effect on the entire Canadian economy. Increasing globalization of trade and investment, the phenomenal growth of the newly industrialized countries, accelerating technological change, and the domination of service and information sectors have redefined the way in which Canada remains internationally competitive. Emerging democracies in Eastern Europe now offer vast new investment and marketing opportunities. In addition, the European economic integration and Mexican revitalization all require new strategies on the part of Canadian businesses. The Canada-U.S. Free Trade Agreement improves trade conditions with our largest trading partner.

These political and economic changes create both challenges and immeasurable opportunities for western Canadian business. Entire new industries have emerged and the service sector continues to grow at a rapid pace and the federal government has contributed to the growth in new business opportunities. Recent developments which further open the oil and gas industry to foreign investment should be a major help to the sector. The Western Procurement Initiative, jointly launched by the Department of Western Economic Diversification and Supply and Services Canada, has increased western business participation in federal procurement contracts.

Major differences still remain between the economies of the West and the rest of Canada. Western employment stands at twice the national average in agriculture and is two-thirds higher in other primary industries. Only 10 per cent of the West's jobs are in manufacturing, compared with the national average of 17 per cent.

Whereas Western Canada's economic structure differs dramatically from that of the central and eastern parts of the country, each of the four western provinces also reflects its own unique economic circumstances.

SUCCESS IN THE WEST

The Department of Western Economic Diversification has been associated with hundreds of successful projects across Western Canada. Examples of just some of those successes are highlighted in the following pages.

WITH SUCCESS IN MIND...

Winnipeg-based Mind Computer Products (MCP) works on the premise that if you think big, you'll be big.

And the premise appears to be working.

Ever since the firm opened its doors some 11 years ago, growth has been at the forefront of its business plan, according to company CEO Brad Fry.

"Certainly, we had aspirations of being a lot bigger," he says, "and we've worked very hard to achieve a high level of success."

That growth and the accompanying success were helped along in late 1989 when MCP received a $255,710 repayable contribution from Western Economic Diversification, with a view to developing and marketing innovative computer software systems for industrial applications.

Since then MCP has negotiated two major contracts with the Government of Canada that carry a value in excess of $16 million.

The company was awarded a portion of a major contract worth $12 million dollars to provide computers and related equipment to a number of federal government departments. With this single contract, MCP was granted a Departmental Individual Standing Offer — which means it can sell directly to various government departments.

Earlier, in May 1991, MCP had hit pay dirt by landing a $4.5-million dollar contract to supply computers for the preparation of paycheques to armed forces personnel.

With all this success, MCP plans to relocate to larger facilities allowing it to increase its production capacity four-fold. Assembling roughly 500 computers monthly in its compact Portage Avenue location, the company will be looking at assembling as many as 2,000 a month in a new location. In addition to finding new quarters, the company began hiring more staff and expects its payroll to rise to some 70 employees before year end.

Of course, major contracts don't come easily. It was, says Dennis Paquette, National Sales Manager, the result of "a lot of door-knocking".

"It's something we went after very actively," he admits. "We wanted to open our market, and so we marketed ourselves and our products aggressively."

MCP hasn't tossed all its entrepreneurial eggs into one basket however. In fact, the federal government contract is only one of five marketing and distribution channels the company has been pursuing. Others include value-added resellers, corporate and commercial consumers and national accounts clients.

"While federal business is valuable to us," says Neil Stern, Chief Technical Executive Officer, "we don't view it as any more important than any of our other clients. We're endeavouring to achieve the same developmental success in the other fields, and all the signs indicate we're succeeding."

Still, having access to the government system has provided needed impetus in its efforts to become a nationally-recognized developer and supplier of computers and computer products.

"Our mandate is to be nationally known and highly successful in the field of computers by 1994," Stern

"We're endeavouring to become as export-ready as we can."

Company officials at the Mind Computer plant in Winnipeg examine a circuit board which is a component of one of their systems.

allows. "After that, we're looking at going international."

Right now, the minds behind Mind are scouting potentially strong markets in the upper midwest region of the United States. Also, in anticipation of doors swinging wider ajar in Eastern Europe, with the advent of a free-market economy, MCP is negotiating three separate export opportunities. In addition, a potential arrangement with a Middle Eastern country is in the works.

"We're endeavouring to become as export-ready as we can." Stern says. "At the same time, there are miles and miles for us to go right here in Canada. We've just barely scratched the surface."

In the meantime, there's no doubt that recent contracts have boosted the recognition factor of this Winnipeg company within the highly competitive computer industry.

AN ELECTRONIC PAPER-SAVER

A new series of enhanced electronic forms software has enabled Shana Corporation of Edmonton to become a leader in the field.

Says Shana president Don Murphy, "We look for companies who need to process forms, then provide the tools to do it electronically. We are creating the electronic equivalent of how they are dealing with their paperwork now."

The new *Informed* series, the development of which was encouraged by a $175,000 repayable contribution from Western Economic Diversification, gives Shana six different packages.

The system gives the ability to design, distribute, fill and print a wide variety of forms. It is being used by such giants as Boeing, Apple, Liberty Mutual, NASA and McDonnell Douglas.

"We are now offering solutions to allow users with competitive products to easily convert to *Informed*," says Murphy. "For example, we have worked in cooperation with Adobe to allow all *TrueForm* users to convert.

"WD has helped immensely in our marketing process," he adds. "Primarily, its assistance gave us the ability to get our company known in the boardrooms. Our strategy was to stay in a focused niche and become recognized in it. For three years we've been able to talk to the big companies and have become accepted as a leader in the Macintosh market. And that's a big plus. In the future that will save a lot of time and effort. Now other products are being compared to ours."

Up to now, Shana has worked solely with the Macintosh computer. The next step is to develop a "form filler" that will work under *Windows*.

The young Edmonton firm employed 13 in 1992. Three years before, it was a six person operation. Shana's 1989 goal was to create 18 jobs and generate sales of $2 million.

"We're getting there," says Murphy. "Our revenues for 1992 will be over $1 million and that's up from $700,000 in 1991. A 30 to 40 per cent increase in revenue would be nice to maintain, and we are optimistic we can do better with the future product line."

"Our strategy was to stay in a focused niche and become recognized in it."

"It's a responsible way of providing government assistance to business — it's not just a free ride."

DIVERSIFYING IN A RURAL ECONOMY

Diversification is the keyword these days for Lode-King Industries, a subsidiary of Triple-E Canada Ltd., based in Winkler, Manitoba.

"You might even re-spell that survival," allows Lode-King Industries general manager Terry Elias, "because until we were able to make the decision to diversify we were struggling in an industry solely related to agriculture which has been hard-hit by low world commodity prices."

Lode-King was founded in 1980 and for a decade enjoyed steady growth in manufacturing of transport highway trailers and farm equipment.

"When we entered the Nineties, we were slumping," says Elias. "The agriculture business was down and foreign competition on trailer products was growing. We had to branch out, make better use of our plant and generate other products in order to maintain our static payroll."

Agriculture remains a vital element in Lode-King's repertoire. Having developed its own technology in the production of components for swathers and combines for farm equipment manufacturers, Lode-King's sub-components are known for their high quality.

Meanwhile Lode-King's recent expansion in their trailer sector is proving successful. But more to the point, it has enabled Lode-King to maintain an even keel. Implementing a complete computer-aided design has enabled the company not only to manufacture a broader range of steel hopper bottom grain trailers, but also introduce new all-aluminum products in both grain trailers and flat deck trailers. The broader range of trailers has allowed the company to manufacture for customers in bulk commodities other than agriculture.

"It remains to be seen if we can realize an expansion in dollar volume," says Elias. "We think we're on the right track, with the ability to customize production. In other words, we tailor our products to specific needs. We fill small voids. It's a specialty thing, but we're getting orders from Eastern Canada and the U.S.

"We're mostly all Canadian sales, exporting only about 10 to 15 per cent of our products. Our market used to be confined to only Western Canada. In fact, the larger market is one reason we have had to customize our products for the trailer sector. Since road regulations still vary across the continent, you have to build to customer specification based on the region they are servicing."

Diversification doesn't occur without capital. Western Economic Diversification approved a repayable loan of up to $629,302 to assist with Lode-King's expansion plan in 1990.

"We were pleased with the WD's input," Elias recalls. "Actually, it assisted us in making the decision to expand. The economy had just worsened when we decided to proceed with our expansion. With WD's assistance, it was feasible to stay on track with our expansion and their payback terms are reasonable to help during these tough times.

"Its a responsible way of providing government assistance to business — it's not just a free ride."

Bridging the gap between agriculture and trailer products meant Lode-King required strategic planning and new computer-aided equipment to service the needs of both sectors.

"The steel fabrication and transport product involvement complement one another now, and the move has shown a definite increase in quality of workmanship," says Elias. "And of course, we have kept the payroll at about 100 people. Without this expansion we'd have been laying off employees."

In 1980, Lode-King employed 20 people. With current expansion in place, the company is seeing its employment increase to 150 people in the next year.

"The bottom line is, had we not diversified and equipped ourselves with computer- aided manufacturing equipment, we would have slumped badly. By diversifying, we have increased our market and we are continuing to expand."

Of course, the hope is diversification will lead to even further growth down the road.

A SOLUTION TO POLLUTION

When Technology Transfer Inc. (TTI) of Edmonton became the exclusive licensee for a chemical solution discovered in a University of Alberta laboratory which safely and effectively rejuvenates photographic fixer, the portal to a brand new world market swung more than slightly ajar.

To begin with, such a process had been unheard of prior to its unveiling in 1989.

"We're the only people in the world who can do this."

At the Technology Transfer lab in Edmonton, officials are using an environmentally safe method of recycling photographic fixer solutions — and reclaiming their silver content at the same time.

Photographic fixer solutions in processing black and white and color film have been used for years not only for general photography and photo finishing but by industrial x-ray testing, graphic arts and printing industries, medical x-ray units, dentists and chiropractors. But once film was developed, the non-re-usable fixer solution, which is rife with contaminants, was merely washed down sewage systems.

"We estimated that more than 600 million litres of the stuff was being dumped into North American water systems every year," recalls TTI secretary-treasurer Chris Malcolm. "The new process reduces that by something like 99.9 per cent. It's environmentally proven with zero effluent discharge. And not only that, it saves our customers untold dollars because it recycles the fix."

Not to mention a saving of untold additional dollars in disposal costs because, as the world's environmental conscience burgeons, practices such as pouring contaminants in the sewer are being outlawed everywhere. The City of Winnipeg, for one, proposed a bylaw to such effect this year.

Obviously, products like TTI's CONTINU-FIX are going to become veritable marketing mushrooms. In this case, the system involves the addition of a chemical re-agent which removes the silver saturation and other contaminants from the fix solution while rejuvenating its chemical composition so that it can be used over and over again.

"You could say," Malcolm says with a chuckle, "that we're the largest producer of silver in Alberta."

You could also say this is a made-in-Alberta product that's certain to be a leader one day.

But production of that scope, to say nothing of sales and marketing, necessitates substantial investment. TTI's start-up production costs with CONTINU-FIX were close to $2.0 million. And this is where Western Economic Diversification came in with a helping hand.

"TTI had been around for a short time, but it wasn't doing much until this product became available," Malcolm admits. "In fact, TTI was a company looking for a deal like this. But we'd have had a tough time getting it off the ground without WD. I have a lot of respect for the concept."

Malcolm adds that WD's initial $250,000 repayable contribution in 1990, in combination with an additional contribution of $186,400 for a second project focusing on color film, "has really helped us in the international arena.

"I don't know that we'd have been able to step out quite as quickly without the WD funding," he says.

The growth of the CONTINU-FIX line has prompted the opening of four additional offices across Canada — in Vancouver, Calgary, Winnipeg and Toronto.

"We covered the West, then moved to the East," Malcolm says.

"At this point, our customers are still Canadian in total. But we expect our customer base to rise 50 per cent, from 200 to 300, within three months. We adopted a new sales approach. We signed a contract in December 1991, with an exclusive U.S. licensee that provides for ongoing royalties from our technology — we're guaranteed $18 million as a minimum over five years on a monthly pay basis and we quite candidly expect the contract will gross something like $80 million over a period of 15-to-20

years. And we're presently negotiating agreements in the United Kingdom, the Benelux countries and Norway.

"We've just been informed we'll be granted a patent in the U.S. We've applied for patents in 88 countries and we don't anticipate any problems because, really, we're the only people in the world who can do this."

TTI was born as a four-man partnership — Malcolm's father Keith is the president, Paul Whitney and Mike Dutka complete the quartet — but it has expanded in two years to employ 20 in Western Canada and hiring is currently under way in Toronto and continuing in Calgary.

"We haven't reached the profit stage yet, we're rolling everything back in," Chris Malcolm admits. "But our revenues will likely triple, to $3.0 million, in 1992."

He also admits that the environmental aspect of the process was not TTI's primary sales pitch.

"It was first, economic — the thousands in savings from the recyclable aspect— and second, environmental," he says. "But I don't think there's any doubt the day will come when the environment will carry a premium on a dollar."

Either way, though, TTI has its bases fully covered with CONTINUFIX, a major new technological find for Western Canada.

Bringing Technology to New Markets

An advanced electronics producer which manufacturers more than 80 products for TV, video and audio systems and sells to 95 countries, the Nexus Engineering Corporation (NEC) continues to expand.

New on the drawing board is a project that will catapult Nexus into the telephone communications equipment area. "It's something — portable but not cellular — designed to give you your own telephone number for life," says NEC president Peter van der Gracht.

But that's in a future that always seems to be glittering for this innovative and largest arm of the Nexus Group of six companies, headquartered in Burnaby, B.C.

At present, NEC is "halfway through a two-year project" to develop, market and distribute several advanced electronic products for cable TV, including one aimed at the lower end of the market which provides small private cable systems to hotels, motels, apartments and/or trailer parks.

Projected total cost of the program was $3.0 million, $1.2 million of which was met with repayable assistance from Western Economic Diversification.

"We estimated this project would create 100 new jobs in five years, and that means roughly $10 million in additional sales," says van der Gracht. "Already we have about $1.0 million in revenue, and we're barely out of the starting gate. The early versions of these new products seem to have been well accepted.

"We would have advanced along this path far more slowly without the WD contribution. It enabled us to be more competitive and to react more quickly to a highly competitive market. In turn, that allows us to be more successful."

Van der Gracht says Nexus is "tremendously pleased" with its association with WD "over the years".

"It (WD) has been a big supporter. That has meant a great deal to the company."

A professional engineer, van der Gracht and three partners founded NEC in 1982. Two of the original quartet — the other is Basil Peters — remain to manage the firm. NEC has now grown to the point that it has a small assembly plant and a sales office in Hong Kong.

"Already we have about $1.0 million in revenue, and we're barely out of the starting gate."

The corporation has won several awards from the federal and provincial governments for export, entrepreneurship and innovation. Of its total production, 80 per cent is sold outside Canada.

In layman's terms, the products are geared to all TV systems — anything that gathers and transmits signals to a TV set. "We deal in big systems and small systems," says van der Gracht. "Satellite receivers, TV modulators and demodulators, compact designs, all sorts of 'widgets'. The bottom line is the pictures you get on your TV set.

"Over the next few years, we will see the introduction of higher-definition television and video on demand services. These developments, along with recovering economies around the world,

should allow the North American cable market to grow by about 10 per cent a year between 1992 and 1995.

"Outside North America, that growth could be 20 per cent each year. So these new products will allow Nexus to further penetrate our traditional cable TV market and generate new customers, including the telephone companies as they become involved in the transmission of video signals, and residential satellite dealers."

In addition to new products, incremental revenues and exports and job creation, the project has enhanced sourcing of western goods and services and import replacement.

A World-Class Software System

Development of computer software is a risky business, but with a solid performance in Canada behind it, Co-operators Data Services Limited (CDSL) was prepared to head into the international market.

In partnership with IBM Australia, it is developing sophisticated software for credit unions, banks and other financial institutions with both Canadian and overseas markets firmly in sight.

Fred Jedlic, vice-president of software engineering, said the company is strongly focused on the project which he said is "progressing well". Begun in 1990, the first piece of the package should be delivered in January 1993 with completion scheduled for early 1994.

Co-operators Data Services is developing the application software with IBM producing some of the technical software. IBM will be marketing the product to medium-sized banking institutions in Australia and across Asia, as well as in Canada.

Assistance from Western Economic Diversification, adds Jedlic, was vital in initiating a project of this scope. "WD provided us with a repayable contribution of $6.5 million — a third of total project costs of $19 million." Additional funding was provided by credit unions in Saskatchewan and Ontario, and from operating revenues.

Co-operators Data Services has been a leader in the field of electronic banking systems in Canada. It developed the first automatic banking system in Saskatchewan for credit unions and it went on to pioneer in point-of-sale electronic transfer.

It developed a drug claims processing system for Saskatchewan that put pharmacies into a centralized prescription information network, the first such system in North America.

Based in Regina, the company is among the largest computer service businesses in Canada, with 800 employees and offices in Ontario, Manitoba and British Columbia. It is a co-operative with an unusual blend of "stake-holders" — clients, staff and Co-Operators Group Limited.

It provides electronic data processing, systems development and communications network services to enable clients to access and manage information.

The 1990s are demanding ever-increasing sophisticated banking software, Jedlic said. "Credit unions and mid-sized banking institutions will require this software to remain competitive in the future. It made sense to develop one package to meet the needs of a certain size of bank, the mid-sized banks and credit unions."

The software will be organized to serve all components of a banking operation, including customer service and marketing, as well as institutional planning and management. Its design incorporates a high degree of flexibility to accommodate technological changes in order to prolong its applicability.

Jedlic said that the partnership with IBM is particularly appropriate because it recognized that the banking needs in Australia are similar to the needs of the banks and credit unions in Canada. "And we picked a partner with staying power."

Co-operators Data Services recognized the importance of getting into the international marketplace.

The company has forecast full recovery of developmental costs from sales to existing IBM clients in Southeast Asia. Once this system is developed and installed, the Asia-Pacific market could open further opportunities for CDSL.

"It is important to the company that we become a world-class software developer," Jedlic said. "We need to demonstrate we have that capability."

PRODUCTION'S JUST TAKING OFF!

Newly outfitted with millions of dollars worth of elite computer-controlled equipment, Winnipeg's Boeing Canada plant has taken off into the production stratosphere with plans to manufacture parts for Boeing's 777 twin jet commercial aircraft.

The company says that fabrication will probably start in the fourth quarter of this year.

The plant is responsible for the design and production of four components for the new wide-bodied, 350- to 400-seat aircraft due for delivery in 1995. The contract is expected to be worth up to $50 million annually by 1997 and could run for 20 years.

The first delivery of the components — aft strut fairings which hold the engines to the wings and fixed trailing-edge wing panels, cargo bay heating ducts and leading edge thermal anti-icing ducts — is scheduled for April 1993.

Company spokesman Murray Russell said the 777 contract will form about 10 per cent of the company's business and will add substantially to its stability.

The required multi-million dollar refit, involving a new computer-based parts design and production system, new processing equipment, re-tooling equipment and staff training, netted repayable funding of $5.5 million from Western Economic Diversification.

"Assistance from WD has helped in large measure to secure the future of our Winnipeg division," says company president James Sawyer. "We have been able to replace aging technology with the most modern computer-controlled production machinery available, and have added a new computer design system that is beyond state-of-the-art."

The Boeing plant in Winnipeg has expanded to create new jobs — and the expansion was assisted with WD funding.

Sawyer adds, "In addition to paving the way for the 777 contract, it has put us in an excellent position to compete for work on future airplanes."

He says that Boeing contracts aren't merely all-in-the-family affairs.

"We have to be competitive because Boeing insists, even though we are family, that we compete with other Boeing plants in the U.S. and with independent suppliers all over the world — including Japan, Italy, the U.K. and elsewhere.

"Everybody is working to secure these contracts. As such, WD's financial and moral support, and the dedication and hard work of our people, have put us in a position to compete against the best — and win!"

WD first became involved with Boeing in 1989, approving a $7.16 million repayable contribution aimed at the $31.3 million expansion program necessary to become involved in 777 production.

The plant manufactures close to 2,500 separate components for Boeing aircraft, but the newest mandate is expected to require 180 to 200 employees to meet production by 1994.

Boeing officials have announced that the 777 will be the first jetliner totally designed by using digital, three-dimensional technology that will pre-assemble major portions of the aircraft to ensure proper fit before final designs are released to the manufacturer.

KEEPING THEM ROLLING ALONG

There's a company in Calgary which brings new life to aging rolling stock. The PDS Rail Car Services Corporation's (PDS) facility was established in 1991, giving Western Canada its first independent rail car repair shop.

PDS is unique in its field, as all other repair facilities are owned by rail car leasing corporations. The company is a joint venture of Sultran Ltd. and PLM Rail Car Management Services Canada Ltd.

Refurbishing aging rolling stock has become big business for PDS Rail Cars of Calgary. The company embarked on a major expansion with the help of WD funding.

The facility provides a full line of interior and exterior coating services, cleaning and repair of damage caused by age and derailment. It also offers a protective lining sealant for the interior of tank cars that will extend the life of a rail car by five to seven years.

"Servicing is particularly significant because of the rising cost of new cars," says marketing manager Todd Greiner. "The average age of these units is going up and the number in service is going down, but the loads are greater. So we weld, grind, gouge, generally refurbish, rebuild, steam clean and paint everything from box to hopper to tank to flat, all sorts of rolling stock, and each has its own safety standards as established by the Association of American Railroads which must be adhered to.

"Overall, the cost factor is significantly cheaper than purchasing a fleet of new cars."

Greiner says very few companies provide PDS's specialty linings that are protective, non-corrosive, life-extending and a solution to numerous environmental concerns.

"It's all part of upgrading," he says. "So much of what these cars carry is hazardous or corrosive. We've cleaned up tank cars that carry everything from sulphuric acid to vegetable oil to whisky. Some of them, such as the hoppers that carry potash and phosphate, get a lot of wear and tear."

Sultran first recognized the need for a shop to service its huge, high mileage fleet of sulphur cars as no shop in close proximity could handle the repairs or the volume necessary. Also, PLM, which owns 4,000 rail cars, found itself with the same requirements.

"Sixty-two per cent of our customers are U.S. based," Greiner admits. "But that doesn't represent 62 per cent of our revenue. We have some big Canadian contracts — PLM, for instance, which leases rail cars to Petro-Can, Alberta Food Products and others.

"This is a long-term growth business for which the demand will continue to grow," says Greiner. "In order to launch the business, however, financial assistance was need from government, as well as from the partnership."

That assistance included $1.7 million in repayable funding from Western Economic Diversification in November 1990, for PDS's $8.6 million, 125,000 square-foot/ 11 250 m^2 facility.

"Without WD," says Greiner, "it's doubtful PDS would have gone ahead. This was an expensive business to get going. But the demand seems to be growing all the time and that means more work and employment in Canada."

In the future PDS, which currently employs 82 workers, plans to branch out into semi-trailer trucks and specialty vehicles.

"We're doing limited work in the area, mainly semi-trailers," Greiner reveals, "and we see it as a growth area."

The chief target remains freight cars, however, and PDS has made an excellent start in bringing new technology and capacity to serve the needs of western Canadian users.

THE OKANAGAN'S STAR PERFORMER

Western Star Trucks of Kelowna, B.C., has literally taken on the world in the Nineties with significant new product development and marketing campaigns.

"And it never would have happened without the kind of assistance we've received from Western Economic Diversification," says Gerry McParland, Western Star's executive vice-president of manufacturing and engineering.

"WD has been very helpful in a non-bureaucratic way. Dealing with WD, you wouldn't know you were dealing with government. WD doesn't give anything away for nothing, but it's fair. I have nothing but good to say about the program."

Western Star and McParland have been around long enough to know. In fact, the firm was conceived in 1967 as an adjunct of the White Motor Corp., was acquired by Bow Valley Industries and Nova in 1981 when White fell into receivership, and was taken over by Australian interests, who were producing the Western Star under license in Australia.

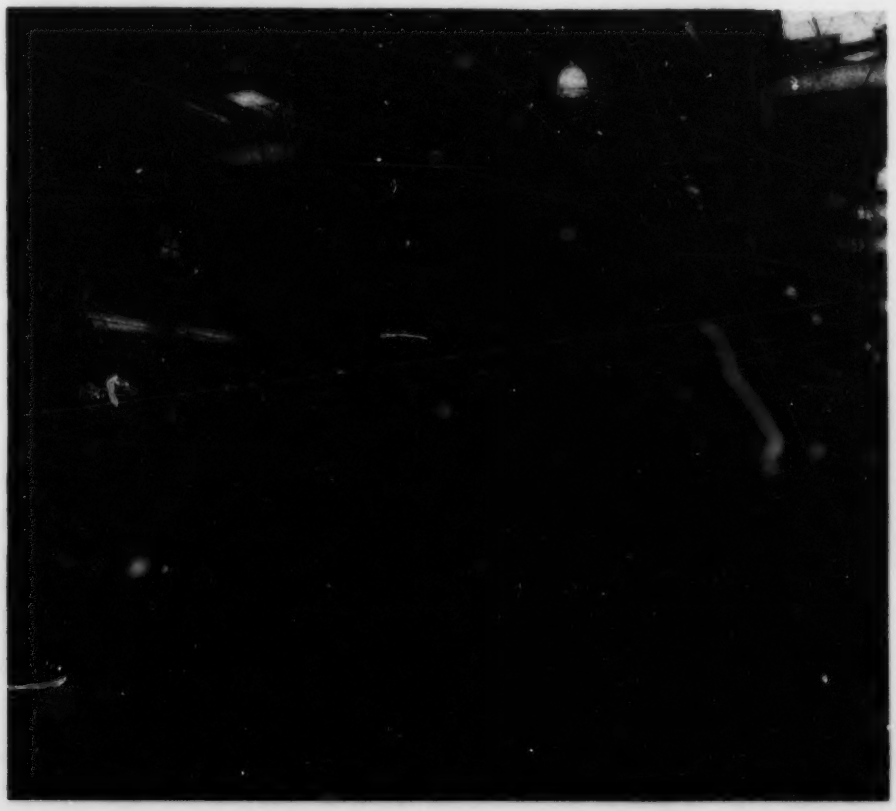
"We're unique now in that the employees have a 10 per cent stake in the business, with an upcoming option to buy in for another 10 per cent," says McParland.

Western Star is working hard to sell its product worldwide. "We've always sold internationally, but it was always just dabbling," admits McParland. "Now, we've embarked on an agreement with DAF International which markets, sets up dealerships and distribution of our four major models in 60 countries."

The agreement involves a significantly expanded scope for the firm which has concentrated on manufacturing "the biggest" class 8, heavy-duty vehicles in the world.

WD first became involved with Western Star's $20 million project to design, build and launch a new aerodynamic truck cab in 1988. The Department provided repayable contributions totalling $4.3 million.

"...for two more trucks a day, you're talking projects that create another 40 jobs."



A massive new truck rolls off the production line at Western Star Trucks in Kelowna.

In February 1992, WD contributed an additional $1.4 million in repayable funding to develop new international markets. The connection with DAF Trucks of the Netherlands, which is among the largest truck and bus manufacturers in Europe, was Western Star's first step in this direction.

"It's picking up steam even as we speak," says McParland. "But it was an expensive proposition, involving researching emission laws, language issues, training DAF personnel to service our product — the whole expansion package."

Western Star's prime new product innovation — an off-highway truck on a 40-inch/102-centimetre frame (previous models were built on 34-inch/86-centimetre frames) and boasting engines of 600 to 700 horsepower for high capacity use in the mining, oil drilling and logging industries — prompted $396,900 in further repayable interest-free financing from WD.

"When you visit our plant," McParland suggests, "you won't see two trucks emerging from the assembly line that are exactly the same.

"We've been able to diversify our engineering and we custom build every product."

The results?

A year ago, the truck builder was awarded a $200 million contract to produce 2,750 light trucks for the Canadian Armed Forces.

"That came at an opportune time because the North American market has been in the doldrums — the number of owner-operators had been shrinking for several years," says McParland. "There are signs of recovery now."

The firm turned out 1,200 units last year. Production for 1992-93 is estimated at 1,700.

"We used to produce five trucks a day. We're at six now and we expect to be at seven by the fall of '92," says McParland. "It's significant when you consider that for, say, two more trucks a day, you're talking projects that create another 40 jobs."

In terms of export, Western Star projects sales of 300 to 400 annually, in comparison to previous 75 to 80 figures.

The company shipped 47 trucks to Kuwait recently, and another 12 to Indonesia. Other markets have emerged in Dubai, Saudi Arabia, Africa, South America, Eastern Europe, Australia and New Zealand, in addition to the tried and true grounds of North America.

"It's a bright position and WD helped put us there," McParland says. "Whenever you start something new like this, you need capital. And friendly capital of WD's sort goes a long way to make it happen for a business like ours."

Meeting the Standards of Quality

The step that takes a good manufacturer beyond a good product is quality assurance. Customers need to know their suppliers can and will meet standards and specifications.

Two years ago, with a partially repayable contribution of $78,239 from Western Economic Diversification, Prairie Machine and Parts Mfg. (1978) Ltd., of Saskatoon, moved forward into a quality assurance and control program to meet internationally recognized standards.

Murray Popplewell, who began the firm 15 years ago, said that as the company grew and as potential customers from other countries stopped by, the question of quality assurance was raised time and time again. International certification had become a necessity so Prairie Machine and Parts applied for and met the requirements of the International Standards Organization (ISO).

It was, in fact, the first Saskatchewan company to obtain ISO certification under WD's Quality Assurance Assistance Program.

Buyers anywhere in the world know that the company must work to the ISO standard or lose its certification. Each company writes a manual to show exactly how work will be done and ISO audits the company to ensure it is meeting standards and following its own manual.

Prairie Machine and Parts also obtained military certification at the AQAP-4 level, a NATO standard of quality.

Military work is new ground for the company, but it is looking at quotations and hopes to find a niche in the U.S. and Canadian military markets.

The new emphasis on quality standards and control has affected plant operation, and for the better, Popplewell said. For each order there is a planned attack to finish the job. Each worker has standards to work to and the requirements are stated in specific terms. Each operator becomes his own inspector and must put his signature to the work before sending it on. That traceability helps to ensure that faulty work is not passed along.

The company has also made it clear to its workers that work which doesn't conform to specification must be "flagged" and set aside, but such non-conformities are not viewed as "mistakes" to be swept under cover, said Popplewell.

Prairie Machine and Parts now has 60 employees, including 42 welders, machinists and industrial mechanics, a far cry from two workers when the company began.

In the mid-1970s, potash companies were well served by repair shops but Popplewell, a mechanical technologist, recognized the need for replacement parts. He and his partners started the firm to do both replacement and repair work.

The company has grown and diversified to offer a variety of services, including heavy steel fabrication, custom machine work, mechanical engineering and design work, precision and heavy duty lathe work, as well as other specialized manufacturing and repair.

Its plant in the north industrial district of Saskatoon encompasses machining, welding, cutting and assembly, warehousing, engineering and administration. The machine shop has the largest boring mill table in Saskatchewan.

Popplewell acknowledges the importance of Western Economic Diversification in the company's move to establish quality assurance. "As the saying goes, money costs money. We definitely needed this federal support to even start exploring a quality assurance program. We now know that industry needs to meet these recognized standards to effectively compete on an international basis."

Prairie Machine and Parts now has 60 employees, including 42 welders, machinists and industrial mechanics, a far cry from two workers when the company began.

NOW THAT'S THE TICKET

Every week, millions of Canadians invest one or two hard-earned dollars in the hope that maybe they've just selected that one series of numbers that will make them millionaires.

"Lotteries," says John Pollard, vice-president of finance for Winnipeg-based Pollard Banknote Ltd., "have a fairly universal appeal — even my mother still buys tickets for birthdays and occasions like that."

Pollard Banknote is one of two major lottery-tickets printers in Canada, and the company is expanding rapidly.

Pollard now employs close to 400 people with branch operations in Kamloops, B.C. and Barrhead, Alberta.

With five provincial or regional lottery corporations as its major clients, the 85-year-old family-owned printing company has sewn up approximately 50 per cent of total domestic sales. So, naturally, the next move is to look beyond national boundaries.

"Since 1986, we've advanced from a zero market-share to at least 50 per cent," Pollard modestly admits. "So, between us and a Quebec company, we pretty well blanket the country."

During that first year of development, lottery ticket sales totalled $6.0 million. By the time this year's receipts are tabulated, Pollard estimates receipts in the $35-million range.

Each month, the firm produces 150 million documents that people refer to as 'scratch-and-win' tickets, and that's just a part of the product line.

As business increased, Pollard needed bigger premises and state-of-the-art equipment.

The firm also needed a hand to take it that last step to the big leagues. That's where Western Economic Diversification came in.

In fact, the company's rapid growth picked up its biggest head of steam after receiving a repayable contribution of close to $1.6 million from WD in June 1990. That funding assisted Pollard in launching a $4-million program that included plant expansion and the installation of new printing equipment.

"That's when WD came to our rescue," John Pollard recalls. "Since then, sales have enjoyed steady growth. But, more importantly, our profit margin has improved. And that, in turn, has allowed us to expand and enhance facilities."

The following year, Pollard's sales totalled $20 million. By the end of 1991, sales had climbed past the $33-million mark.

"Western Economic Diversification was the perfect program for us," says Pollard. "In the first few years, from 1986 to 1989, we didn't really make a lot of money because we were in a growth period. We were still grappling with very sophisticated technology and the extensive associated costs — all at a time when we hadn't even settled all our markets."

The company bid on a contract tendered in April by the Oregon State Lottery. Although the bid was unsuccessful, company officials were buoyed by the fact that, of the four bids, theirs was deemed No.2.

"We learned something from that experience and we're going ahead with preparations," says Pollard.

"While we are confident about future prospects throughout North America, we're also realistic enough to know that these things take time."

Pollard is not new to the international ticket-printing business. It has shipped orders to Czechoslovakia, the relatively-new Commonwealth of Independent States, Malaysia, Cyprus, Hungary, New Zealand, Venezuela and mainland China.

And from its tiny beginnings, Pollard now employs close to 400 people with branch operations in Kamloops, B.C. and Barrhead, Alberta.

In the company's Winnipeg boardroom, where the decision was reached to strike hard at the lottery ticket "niche", a picture of company founder Oliver Pollard surveys the on-going movements of the firm he started not long after the last turn of century.

If he were still alive, Oliver wouldn't be unhappy. The family name is still there, the printing business endures, and it seems destined to burgeon and become even better known next year, and the year after, and the year after that.

A VERY VOCAL SUCCESS

The music business can be big business these days, but how big is big?

Just one tiny glimpse is afforded by considering the rags-to-riches story of IVL Technologies Ltd., based in Victoria.

IVL has recently struck success with a product president Philip Scott called the Vocalist. "It's a five-part harmonizer," Scott explains. "It allows a solo singer to sound as though he has a four-man supporting chorus (four additional notes) in perfect harmony."

IVL has shipped 16,000 units to the global marketplace since introduction a year ago. And there appears to be no end to the demand in the music industry.

On January 18, 1992, IVL became the first Canadian company ever to be honoured at the International Music and Sound Awards. The company received awards for Most Innovative Product of the Year (open category) and Most Innovative Product of the Year (Effects Devices/Signal Processing Products) during the sixth annual presentations at Anaheim, Calif.

IVL's Vocalist has been hailed as "performing feats once considered science fiction", "a singer's dream come true", and a device that enables "one singer to sound like a choir".

"Our gross sales in 1990 totalled $1.5 million," says Scott. "In 1991 that sales figure swelled to $3.8 million. We're projecting $8.0 million this year."

IVL was incorporated in 1983 with a view to developing and manufacturing electronic products for the music industry.

"We turned profitable three years ago," says Scott.

"Our initial line of products was less successful than we had projected. The company went through some very tough times to introduce our current line of harmonizers."

Among other funding sources, Western Economic Diversification agreed to a repayable contribution of $175,000 to IVL in 1988.

"We were into new product lines when WD came in," Scott recounts.

"We were under considerable pressure at this time. Every dollar of funding we could find was absolutely necessary. Now, the future is considerably brighter."

Fairly glittering by comparison, in fact. But Scott curtails great enthusiasm based on past history.

The Vocalist stamped Scott's firm indelibly on the world map. Forty new jobs have been created at the Victoria manufacturing plant and the doors have been opened to the

Forty new jobs have been created... and the doors have been opened to the kind of profitability that leads to versatility in technology.

IVL Technologies President Phil Scott and engineer Brian Gibson in the assembly area at the company's Victoria plant.

kind of profitability that leads to versatility in technology. IVL is now opening new avenues of opportunity in the studio business, in the education field, in home organ accessories, even in applications for the consumer electronics market.

"The thing we do better than anybody is harmonizing vocals," says Scott.

And IVL has developed the technology to the point where it is of great interest in a wide variety of industries which are dialling the Victoria-based number with a growing frequency.

For example, IVL tech can be applied in recording and broadcast studios.

It can be used to correct the pitch of notes sung off-key in the studio.

In other words, re-recording to get it right is a practice of the past. IVL's technology provides for post-production correction.

One of the new product lines is a powerful computer-based system with which student musicians will work and benefit by grasping the rudiments more quickly.

IVL has entered into a joint venture with the U.S.-based Digitech, which develops many similar products of its own but, in addition, markets only those of IVL.

"The market is truly world-wide," says Scott. "Now, we sell in 46 countries through 66 distributors. We're very successful in Japan. There are very few North American companies who have succeeded in doing this."

A Major Jobs Boost for Lethbridge

A respected world leader in the aerospace industry, Pratt & Whitney Canada Inc. (P&WC) will use proven technology to assemble and test a new family of gas turbine aircraft engines at an innovative plant being built in Lethbridge, Alberta.

The new facility, to be developed in two phases over five years, is expected to create 500 direct jobs and 400 indirect jobs — and according to Lethbridge Mayor David Carpenter, will generate more than $1.0 million a year for the city. Total investment will surpass $145 million at completion.

In mid-1990, P&WC contracted with a U.S. company that specializes in industrial site locations. The firm was asked to recommend a site from all western Canadian centres with a population of 10,000 or more.

"The study recommended Lethbridge and other western Canadian sites," recalls Francine Osborne, P&WC's vice-president of communications who is based at the firm's headquarters in Longueuil, Quebec.

"We chose Lethbridge because we felt it offered good training facilities for our workers and we were able to forge an agreement with the Lethbridge Community College for training."

The go-ahead on the facility was subject to agreement on a financial package with the federal, provincial and municipal governments. Western Economic Diversification reviewed the company's detailed proposal and approved a repayable contribution of $12.5 million.

Initially, the plant will be responsible for assembling and testing the new PW200 engine, designed for light helicopters. The engine has been selected to power the new MD Explorer helicopter to be built by McDonnell Douglas of the U.S. In addition, P&WC has an agreement with Eurocopter which has selected the PW200 for its EC 155 model.

Further products scheduled for the second phase, which will be subject to market conditions, include various fabricated assemblies for P&WC's engines. Assembly of several models of the PT6, P&WC's workhorse engine, will also take place in Lethbridge.

Four test cells, for use in testing new engines, are a key component of the facility, which will immediately comprise 75,000 square feet/ 6 750 m^2, provide an estimated 170 permanent jobs and cost $51 million. By the time the second phase is complete, the project will have expanded to 250,000 square feet/ 122 500 m^2 on 100 acres/40 hectares of land.

"We're right on budget with the first phase," says Osborne. "We plan to start production early in 1993. But first we have to train new employees." Training programs commence in the fall of 1992.

In addition to its mother plant in Longueuil, P&WC has a parts machining plant in Halifax, Nova Scotia, and an engine assembly plant and engineering centre in Mississauga, Ontario.

The newest member of the industrial family in Lethbridge will be one its biggest employers — a classic example of business and government working together.

A CLEAN RECORD OF PROFIT

When Sweeprite Manufacturing Inc. of Regina was able to take its street cleaners "on the road", sales increased dramatically.

Controller Brent Raddysh credits a Western Economic Diversification repayable contribution of $524,953 three years ago with providing the capital needed to give Sweeprite's new products an extra boost. The total cost for the marketing initiative and product development was $1.2 million.

Through that project the company was able to develop new models of its existing line of sweepers and extend a network of dealerships.

Street cleaners can't be sold over the phone or by video or brochures. Potential users and dealers need to see them in action and the WD money enabled the company to demonstrate the equipment across North America.

"We found there was a dramatic increase in sales for the first two years," Raddysh said.

Through cost-cutting measures, the company still managed to be profitable last year, and new orders have begun to come in again, including one currently in production for Kuwait.

Staffing levels fluctuate, according to production requirements, but the company exceeded its estimates of adding 30 workers to its 1988 staff of 40 employees.

Sweeprite is one of three companies owned and operated by Leslie Hulicsko who trained in mechanical engineering in his native country of Hungary, but escaped the occupation of Soviet troops there and immigrated to Canada in 1957.

An inventor and entrepreneur, Hulicsko started a window cleaning company and later branched out into farm implements with a rock picker he designed. In the 1970s he developed an inexpensive street sweeper that could be pulled by a farm tractor or truck for small town use. He went on to develop self-propelled models, including a dual-steering feature that enables drivers to operate the machine from either side of the cab.

The machines range in price from $30,000 for tow types to $130,000 for the largest model.

Sweeprite is the only Canadian manufacturer of street cleaners and is actively trying to increase its share of the Canadian market by educating potential users about the exceptional quality of its Canadian made products. It has begun to establish dealerships but Raddysh said more are needed. "It's an ongoing process."

Hulicsko continues to move ahead with new ideas and new products, including a revolutionary air feeder just recently introduced at the 1992 Western Canada Farm Progress Show, and a street patcher that complements his street cleaning line of products.

Sweeprite is the only Canadian manufacturer of street cleaners.

His "patchmobile" is a mobile unit that can be operated by one person. The operator, without leaving the vehicle, can use a hydraulic unit to perform the five operations needed to repair a pot hole in the street.

Hulicsko said that "without question" his company has been greatly helped by the WD loan but the benefits go beyond his own company, he said. "Other companies also benefit, because we spend that money in this community."

Sweeprite President Les Hulicsko and Controller Brent Raddysh point out the features of one of the Saskatoon company's street cleaners.

In 1992, Dynapro industrial automation products made their debut at an auto plant in Russia.

IT'S ALL CANADIAN

A B.C. company decided to reverse the trend — and switched a manufacturing line from the U.S. to Canada. Dynapro Systems Inc. (DSI) of Annacis Island in Delta, B.C., bought the touch control screen line from John Fluke Co. Ltd. in Everett, Wash.

"Not only did this allow us to expand our current product lines and diversify our revenue," says Dr. Karl Brackhaus, president, CEO and founder of Dynapro, "but it allowed us to hire more Canadian workers and buck the trend of moving south of the border."

Dynapro Systems CEO Dr. Karl Brackhaus. His company bucked a trend by switching a manufacturing line from the U.S. to Canada.

Primarily a designer and manufacturer of computer hardware and software products for the industrial control market, DSI was established by Dr. Brackhaus and two partners with one computer terminal in 1976. By 1991, the B.C. firm was operating out of a custom-built 92,000 square-foot/8 280 m^2 facility on Annacis Island.

Over that 15 year span, the firm has grown from less than $250,000 total revenue in 1979 to $19.6 million in 1991 and a projected $27 million in 1992.

The company employed 17 workers in 1981 — and forecasts 250 employees by the end of this year.

Many of Dynapro's existing products already incorporated the Fluke touch panel technology. Fluke had pioneered the market for touch-sensitive screens in the early 1980s and built an excellent customer base, which is part of the package acquired by Dynapro.

Western Economic Diversification first became involved with DSI in 1990, approving a $2,686,750 repayable contribution toward a $7.5 million research and development program for eight new products aimed at the industrial automation market.

The first of these products will be available commercially in 1993, with the remaining six targeted for 1994 production.

More recently, WD approved a repayable contribution of $3.0 million to assist with the initial purchase and start-up costs of close to $10 million for the production phase of the project.

"The assistance of WD has made all the difference," says Dr. Brackhaus. "Their most recent loan will jump-start DSI's position as a world-class player in this market and will spin off enormous economic activity immediately.

"We are most grateful to WD for its thorough analysis and its commitment to support solid business ventures like this one."

Dynapro's new lines will enable the company to diversify into more general purpose and commercial markets. Previously, the firm catered primarily to the industrial market.

It began exporting its B.C. manufactured products to the U.S. in 1983 when it entered into a sales and marketing agreement with Allen-Bradley, North America's premier manufacturer of programmable controllers and related factory automation products.

Now, sales — 85 per cent hardware and 15 per cent software — range world wide with more than 90 per cent of its products being exported. In 1992, Dynapro industrial automation products made their debut at an auto plant in Russia.

Among those industrial giants whose day-to-day operations now use Dynapro technology are: Ford Motor Co., Eastman Kodak, Proctor and Gamble, Anheuser-Busch, Universal Studios and the U.S. Department of Defence.

In less than a decade, DSI and its president have been the recipient of no less than four province-wide achievement and excellence awards for business acumen, innovation and entrepreneurship.

Move Brings Major Expansion

Expansion to Western Canada has enabled WedTech Inc. to reduce Canadian imports while adding to the export value of its products.

The company makes specialty powders and plastics composites for use in roto-moulding — the forming of tanks and vessels and other plastic products used in the rubber and chemical industries.

"We have been operating in the U.S. for 35 years and we commenced operations in Brantford, Ont., six years ago," says company president John Lefas.

"The move to the West was a natural progression — there is a strong petrochemical industry in the West, and we can do work in our new Calgary plant that we used to do in the other locations."

A key to the choice of Calgary was the availability of well-trained manpower and easy access to two railway systems, east-west and north-south, which resulted in significant savings in transportation. In addition, says Lefas, there was an "eagerness" on the part of the various government authorities to facilitate the project.

WedTech's products are strictly raw materials from the compounding and grinding of polyethylene for use in the manufacturing of everything from toys to garbage bags. The plastic is forwarded to manufacturers throughout Canada, the U.S., Europe and Asian Pacific Rim countries. In addition, the company fills a market niche for western manufacturers who need small batches of material previously unavailable to them.

"It has turned out very well, in fact, we've exceeded projections," says Lefas.

"So much so," he adds, "that we're expanding to 125,000 square feet. Our current plant capacity is 40,000 tonnes and, after expansion, we'll be at 70,000 tonnes. That's not bad, almost doubling it in less than two years."

WedTech initially estimated the project would create 37 new jobs. It has created 40 to date.

The expansion represents the second phase of a $6.0 million project initiated in 1989 and for which Western Economic Diversification contributed repayable funding of $918,000.

"The costs are high because there are less players in Alberta," says Lefas. "But WD's assistance lowers the overall interest costs and without that assistance, we'd have planned for Calgary to a much smaller degree, if at all."

WedTech initially estimated the project would create 37 new jobs. It has created 40 to date.

"And I expect we'll have 60 people on staff a year from now," says Lefas.

TAKING THE WATERS... IN COMFORT

The waters of Lake Manitou in central Saskatchewan are buoyant, but so are the hopes and aspirations surrounding the spa and hotel that have been raised from its shores.

There was a time in the 1920s and 1930s when excursion trains brought visitors from hundreds of miles to "take the waters" of the lake and pools that were installed around it. The densely mineralized waters were believed to have healing qualities, like those of the renowned spas of Europe, but over time the appeal faded for all but local people who continued to centre their summer recreation at the lake.

Marketing... is a key element in any tourism-related endeavour...

When the last of the pool buildings burned down, almost a decade ago, local residents saw an opportunity for revitalization. They raised the money to build a new 20,000 square-foot/1 800 m² spa, a comfortable set of indoor pools filled with heated and filtered waters from Lake Manitou.

A resort village of about 150 permanent residents, Manitou Beach is located three miles/five kilometres from Watrous, a prairie town with a population of 2,000. Although there is no city immediately nearby, a number of main highways are in close proximity.

In 1987, the first year the new spa operated, there were 35,000 visitors. Word has been spreading since. There were 100,000 paid admissions last year and operators expect an increase again this year.

When it became apparent that improved accommodation was needed to attract visitors from other provinces, the United States and abroad, local business people again went to work to raise money and a first-rate 60-room hotel, complete with convention and banquet facilities.

The $4.0 million Manitou Springs Hotel opened September 1, 1991, assisted by a $600,000 repayable contribution from Western Economic Diversification.

The Manitou Springs Venture Capital Corporation raised $1.3 million from more than 350 Saskatchewan shareholders, while a community bond sale raised an additional $560,000.

Earle Amendt, Manitou Springs Hotel president, is pleased with the progress to date. Occupancy rates are above expectations and the hotel is expected to show a profit in 1992, its first full fiscal operating year.

Marketing, of course, is a key element in any tourism-related endeavour, and WD provided an additional $150,000 in repayable funding to assist with marketing and promotion activities.

Although the hotel and spa are separate companies, marketing is handled jointly with a full-time marketing director promoting the resort within and outside the province.

Hotel operators are focusing on bus tours from outside the region, although the hotel's bread and butter clientele is with business conventions and seminars, a year-round activity, according to Amendt.

However, he is confident the area will continue to grow as an international tourist destination. "Apart from the spa, we have many recreation and entertainment facilities. There's Danceland, known for its unique dance floor suspended on a cushion of horse hair. For nature lovers, a wildlife refuge and the oldest designated bird sanctuary in North America is only a 30-minute drive away."

He added that the ingredient that makes Manitou special is volunteer work. The hotel employs 35 people from surrounding communities full time, with another 10 working part time, but the driving forces behind the operation are directors who contribute their time and energy without charge. Their efforts appear to be paying off.

A New Look to an Historic Site

There's growing evidence that the area adjacent to where the Red and Assiniboine Rivers of Manitoba meet was once a meeting ground for Native people as far back as 6,000, and maybe 10,000, years ago.

"It has great historic significance for Canada," says Marilyn Edmunds, communications manager for the Winnipeg-based Forks Renewal Corporation. "And we have succeeded in converting the area, formerly the CN railyard, to a more natural and exciting state."

The project has a great deal to recommend it, from both environmental and tourism perspectives, with Western Economic Diversification providing a $1.198 million contribution in 1991 toward the river redevelopment.

"The Forks port is a key element in the overall restoration of this historically significant portion of downtown Winnipeg," says WD's minister Charles Mayer.

Adds Edmunds: "The West was actually populated from this very spot. Pioneers came in by steamship and left by boat or rail or on horseback. Before that, it was an original staging area for the fur trade. There is a long and colourful history here that includes an extraordinary diversity of peoples."

With the five-year completion of Phase One of The Forks plan, 56 acres/22 hectares of greening, walkways and waterfront development have taken place.

"Most people, even long-time Winnipegers, express surprise on their first visit," says Edmunds. "They see the terraced half-moon basin and they're looking at the place where riverboats used to nose into shore. Suddenly Winnipeg has become a waterfront city."

Phase Two of The Forks re-development is on the drawing board and will be submitted to the three levels of government for funding approval by year's end.

Left standing in the restoration were five buildings, some from the Twenties, with the oldest having been built 103 years ago. All have been or will be re-used.

Two stables have been converted into a public market, described by Edmunds as "reminiscent of Granville Island in Vancouver, but with a more historic feel".

A former railway building, which included roundhouses, will become a provincial children's museum.

The old Johnson Terminal warehouse, a four-storey brick structure, will house some main floor public commercial uses, cultural and Forks offices upstairs and, in the basement, archaeology laboratories tied to unique outdoor public excavations near the riverfront. The Archaeological Preserve area is expected to provide four or five decades of research!

A former steam plant, complete with a 120-foot/36-metre smokestack, is ticketed to become a rail heritage museum, complete with old rolling stock and the first steam engine that ever huffed and puffed its way west out of Winnipeg.

Surveys by The Forks Renewal Corporation indicate that 81 per cent of Winnipeg's adult residents visited the site in 1991 and that 97 per cent of all city residents have heard of the project.

In all, an estimated five million visits to the site were made by adults in 1991. Adding children and visitors, the figure likely swells toward seven million.

An aerial view of the Forks, an historic area of Winnipeg which has been developed to become a major tourist attraction.

The newly-established Beijing office opens up new areas of scientific exploration and food production.

INTO THE GLOBAL MARKET

The Potash and Phosphate Institute of Canada (PPIC) is carrying the message about the need for good fertilization practices into far reaches of the world, complementing the sales work of Canadian potash producers.

Four years ago, Western Economic Diversification agreed to provide a $5.0 million repayable contribution to the PPIC project to diversify market opportunities for potash in Asia. Later, the Department approved a $144,000 contribution to a similar program in South America.

Jim Beaton, an agronomist and president of PPIC, said the work of research and education worldwide has been advanced with the help of the WD funds. PPIC has regional offices, staffed by agronomists, throughout Asia but two of the most recently established offices, in Beijing and New Delhi, have the potential for significantly expanding markets.

PPIC's mandate is to promote agronomic research to find the facts about soil nutrients and to ensure the facts are known. The Saskatoon office coordinates the work of a dozen agricultural scientists in overseeing hundreds of field experiments in more than 20 countries on four continents. There are signs that the work is paying off, particularly in such markets as China.

Howard Cummer, Vice President of Canpotex Limited, the industry's off-shore marketing arm, noted that Canadian potash sales to China were 1.1 million tonnes last year and have reached 800,000 in the first half of this year. That compares to sales of 152,000 tonnes in 1985.

The 10-year average is 700,000, but the five year average is 900,000 tonnes, an indication "that we are clearly moving in the right direction".

The newly-established Beijing office opens up new areas of scientific exploration and food production, Beaton said.

PPIC was fortunate in being able to locate the office in the Chinese Academy of Agricultural Sciences, close to the people who plan and direct agriculture for the country, Beaton said. An experienced Chinese scientist with North American training has been appointed to the office.

Typically, PPIC scientists work with government agencies or universities on research on local crops and soils, with heavy emphasis on field work — "hot sweaty work in the paddy fields" — based on sound scientific design.

Before the Beijing office opened, much of the China work had been handled from the Hong Kong office, with emphasis on southern China where there is intense cropping. They have been able to demonstrate potassium deficiencies in that area where heavy rainfall and three or more croppings on small fields quickly remove the nutrients plants require.

From the Beijing office, PPIC will be better able to study the soils of northern China, with its large state farms producing crops such as corn, wheat, barley, sorghum, cotton and sugar beets. Again, PPIC expects to demonstrate a need for potassium, Beaton said. The PPIC China program has a total of 56 projects in 25 provinces, with discussions on project development going on in four or five other provinces. These research projects make up almost one-third of PPIC's research work worldwide, an indication of the institute's strong and lasting commitment to China.

The education component of PPIC's work in China includes course work and graduate training in Canada for Chinese scientists. PPIC co-operates with Canpotex for field demonstrations to show farmers and policy makers the importance and economic benefits of balanced fertilization with potash.

Nevertheless, the size of the potential Chinese market is staggering and PPIC, along with government agencies and potash marketing agencies, is laying the groundwork.

Without the contribution of Western Economic Diversification, the work would not have gone ahead in Beijing or New Delhi, Beaton said.

A healthy field of corn in the Philippines, one of the countries where the Saskatoon-based Potash and Phosphate Institute of Canada is conducting evaluation of soil and crop management factors and yield of corn and soybeans.

PROCUREMENT INITIATIVE LEVELS PLAYING FIELD

The Department of Western Economic Diversification has pioneered new ground in opportunities for western business to sell to government.

A review of the federal government's defence procurement process led to changes that have reaped more than $1.4 billion in industrial and regional benefit commitments to the West since 1988.

WD is now a full member on senior review boards for major Crown projects of more than $100 million in value and is a member of procurement review committees involving all federal procurement between $2 and $100 million.

The Western Procurement Initiative (WPI) was designed to ensure that western Canadian companies have equal opportunity to compete for government contracts. It provides that major Crown projects, even if they are awarded to a prime contractor based in another part of Canada, usually include a western component. This policy has increased procurement from western sources by more than $600 million.

Examples of western Canadian business successes in major Crown projects are:

- Hughes Aircraft Canada Ltd., with headquarters and three divisions in Western Canada, was awarded a $380 million contract for new automated air traffic control systems at Canadian airports. The contract prompted Hughes to commit to a comprehensive industrial benefits package valued at $500 million.
- Computing Devices Canada (CDC) was selected as the successful bidder for a $1.2 billion contract to provide new radio equipment for Canada's Armed Forces. As a result, CDC committed to provide $911 million in long-term, high-quality benefits over an eight year period — $395 million for direct work and $516 million in investments, technology transfers and future sales in the West.
- Western Star Trucks, headquartered in Kelowna, B.C., was awarded a $200 million contract to produce 2,750 light trucks and shelters for the Canadian Forces, replacing the aging fleet which dates back to 1976, is beyond its design life and became too costly to maintain and operate.

Western business has also benefited from a $500 million contract for naval shipbuilding, a $257 million project involving the purchase of Lockheed aircraft and a sole source contract awarded to Bristol Aerospace of Winnipeg for repairs, overhaul and upgrading of 46 aircraft in Canada's CF-5 fleet.

WD also helps western Canadian businesses to be better positioned for government contracts by providing funding to achieve the quality standards required by federal departments. The internationally recognized standards also help companies to become more competitive in the global marketplace.

Most recently, WD funded a new computer link into the federal and provincial electronic procurement networks for all the member chambers of the Alberta Chamber of Commerce. This means that many more small and medium-sized businesses in the province will have a greater opportunity to bid on government contracts.

Government procurement in the West rose from $1.06 billion in 1989 to $1.24 billion in 1991, despite the fact that government spending decreased during the same period.

QUALITY ASSURANCE: THE KEY TO COMPETITIVENESS

A special federal program implemented by Western Economic Diversification is assisting western companies to become more competitive in the world marketplace.

The Quality Assurance Assistance Program (QAAP) is designed specifically to enable businesses to meet internationally acceptable quality standards.

Since the program was launched in 1989, more than 81 businesses in the West have received funding totalling more than $5.9 million, and many WD clients have indicated the program is of "immense value".

The emphasis on quality standards is increasing globally, and western businesses can only compete internationally by ensuring the quality of their products is of the highest standard.

The emphasis on quality standards is increasing globally.

WD provides assistance of up to 50 per cent of direct costs for quality assurance initiatives resulting in a recognized quality standard. Funding for non-capital costs, such as consulting and training, is non-repayable to a maximum of $20,000, with repayable assistance available beyond $20,000 and also for capital costs.

The International Standards Organization (ISO) is recognized worldwide as a standard of superior quality. Among other internationally accepted standards are the Ford Q1, which is one of the highest levels of commercial quality assurance, and the NATO standards specifically targeted at military contracts. Many companies have achieved these standards with the help of WD. Some examples:

- Vansco Electronics Ltd., of Winnipeg, a manufacturer of electronic controls and monitoring devices, undertook a $4.8 million expansion and quality assurance program for which $1.68 million in repayable funding and $20,000 in QAAP assistance was approved by WD. By 1992, Vansco had achieved both Ford Q1 and ISO ratings.
- In Saskatchewan, partially repayable QAAP financing of $78,239 helped Prairie Machine and Parts (1978) Ltd., of Saskatoon, to attain ISO and NATO quality levels.
- Drive Products Inc., of Edmonton, received partially repayable assistance of $68,000 which enabled the firm to meet QA requirements for the supply of components for military vehicles. Major export markets are opening up as a result.
- The Ford Q1 has been achieved by Teleflex Canada Ltd., of Richmond, B.C., with partially repayable funding of $79,691 from WD.

Success stories are many as more and more western businesses shoot for diversification and expansion to world markets. In the West, the QAAP is helping business to find the right track.

SERVICE A KEYNOTE TO SUCCESS

Client service has been one of the operating guidelines of WD since its inception. "Clearly, if we are to be effective in working with the business community, our service levels and standards have to be very high," says Deputy Minister R.A. Kilpatrick.

During the early months of 1991, the Coopers & Lybrand Consulting Group was commissioned by WD to survey a total of 506 applicants — 252 approved, 254 not approved — for repayable funding.

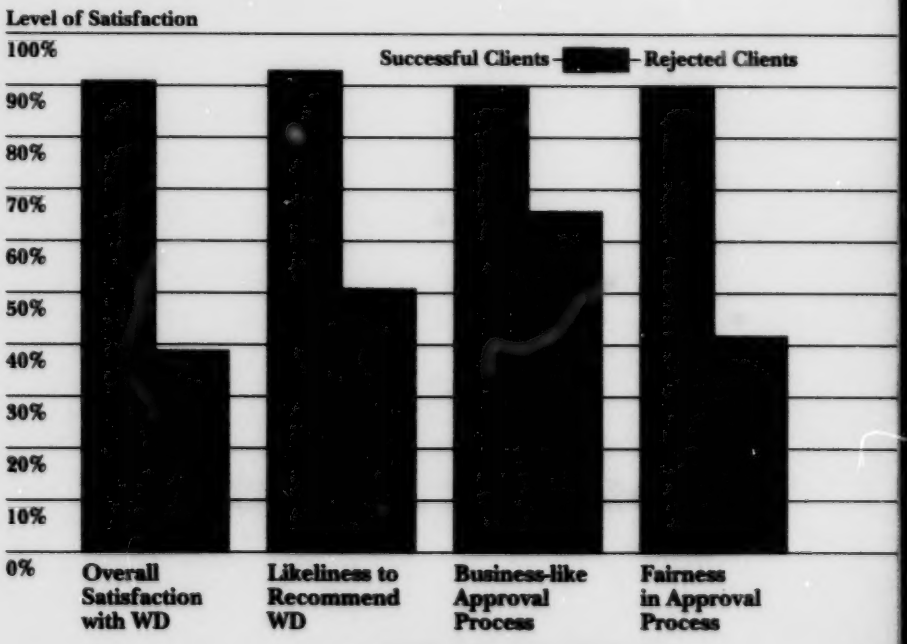
The overall result:

- A total of 91 per cent of the clients receiving contributions expressed satisfaction with WD. And, among those whose projects have been rejected, 39 per cent were nevertheless satisfied with their dealings.
- Questioned on whether or not they would recommend WD to business associates, 93 per cent of the successful applicants responded in the affirmative. Among those turned down for financing, 51 per cent indicated they would recommend WD as a credible and satisfactory funding source.
- In terms of WD's approval process, 90 per cent of the successful clients and 66 per cent of the unsuccessful applicants agreed that the process was conducted in a businesslike manner.
- Ninety per cent of the successful clients expressed satisfaction with WD's fairness of process. Forty-two per cent of the rejected applicants agreed that WD's system was fair.

In other areas of WD performance surveyed:

- Roughly 98 per cent of successful applicants and 91 per cent of those rejected rated WD's staff courteous, and roughly 93 per cent of successful clients and 56 per cent of those rejected rated WD's staff dependable.
- More than 90 per cent of the approved applicants and 46 per cent of those rejected felt WD displayed genuine interest in their specific business problems. Eighty-five per cent of the successful clients and 45 per cent of the unsuccessful clients confirmed WD's staff understanding of business.
- And 86 per cent of the approved clients expressed total satisfaction with the ongoing support provided by WD.

"The very positive client response was heartening to say the least," says Kilpatrick. "We were also able to identify areas where we can improve the service even more." The best may be yet to come.



This Report to Business is published by Western Economic Diversification Canada. For more information contact:

EDMONTON:
Suite 1500, Canada Place,
9700 Jasper Avenue,
Edmonton, Alberta
T5J 4H7
(403) 495-4164
Calgary toll-free: (403) 292-5382
TDD: 1-800-661-1831

SASKATOON:
P.O. Box 2025,
Suite 601, S.J. Cohen Bldg.,
119 4th Ave. South,
Saskatoon, Saskatchewan
S7K 3S7
(306) 975-4373
Regina toll-free: (306) 780-6725

VANCOUVER:
P.O. Box 49276,
Bentall Tower 4,
1200 - 1055 Dunsmuir Street,
Vancouver, B.C.
V7X 1L3
(604) 666-6256
B.C. toll-free: 1-800-663-2008

WINNIPEG:
P.O. Box 777,
Suite 712,
The Cargill Building,
240 Graham Avenue,
Winnipeg, Manitoba
R3C 2L4
(204) 983-4472.

Western Economic Diversification Canada
Diversification de l'économie de l'Ouest Canada

Disponible aussi en francais

Printed on Recycled Paper